

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JACKSON)	
PURCHASE ENERGY CORPORATION)	
FOR AN ORDER APPROVING)	CASE NO. 2002-00485
REVISED DEPRECIATION RATES)	

O R D E R

On December 30, 2002, Jackson Purchase Energy Corporation (“Jackson Purchase”) filed its application for approval of revised depreciation rates. Jackson Purchase filed amendments to its application on January 8, 2003 and June 4, 2003. The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (“AG”), was granted intervention on April 11, 2003.

DISCUSSION

This application was filed by Jackson Purchase in response to the Commission’s Orders in Jackson Purchase’s two previous depreciation cases. In Case No. 1997-00224,¹ the Commission accepted a Settlement Agreement entered into by the parties and ordered Jackson Purchase to file a new depreciation study with its next general rate adjustment or within 3 years, whichever first occurred. On November 3, 2000, Jackson Purchase filed an application to revise the depreciation rates approved in Case No.

¹ Case No. 1997-00224, Notice and Application of Jackson Purchase Electric Cooperative Corporation For Permission to Flow Through a Portion of the General Rate Decrease, Filed Before the Kentucky Public Service Commission by Big Rivers Electric Corporation.

1997-00224. That proceeding was docketed as Case No. 2000-00527.² The Commission again approved a settlement agreed to by the parties and extended the due date for Jackson Purchase to file a new depreciation study to December 31, 2002.

Jackson Purchase's application actually includes two depreciation studies. One study was performed by, or under the supervision of, the Rural Utilities Service ("RUS") and reflects Jackson Purchase's electric distribution system. The other study was performed by, or under the supervision of, Charles G. Williamson, III, CPA and Vice President, Finance and Accounting, with Jackson Purchase, and reflects general plant. Jackson Purchase's application also includes a request for approval to collect and amortize Geographic Information System mapping costs over an 8-year period.

After several informal conferences, Jackson Purchase and the AG agreed to certain terms and conditions and filed an Agreed Order with the Commission on November 21, 2003, a copy of which is attached hereto as Appendix A.

The terms and conditions agreed upon are:

1. Effective January 1, 2003, Jackson Purchase shall implement depreciation rates for its distribution system in conformity with the depreciation study prepared by RUS and Jackson Purchase, and any amendments thereto, which study was filed as Exhibit II to the Initial Application filed herein, which study and exhibit was amended and revised by Exhibit VI of the Second Amended Application.
2. Effective January 1, 2003, Jackson Purchase shall implement depreciation rates for its general assets in conformity with the depreciation study, and any amendments thereto, prepared by Charles G. Williamson, III, CPA and applicant's Vice President, Finance and Accounting. The aforesaid study was filed herein as Exhibit III to the initial application which study and exhibit was amended and revised by Exhibit VIII of the Second Amended Application.

² Case No. 2000-00527, Application of Jackson Purchase Energy Corporation For an Adjustment in Depreciation Rates.

3. Jackson Purchase agrees that upon the fifth anniversary of the entry of the Agreed Order, or its filing for a general rate adjustment, whichever occurs first, it shall submit to the Commission fully updated supplements to each of the depreciation studies referred to herein. Copies of each supplemental study shall also be sent to the AG. Upon the receipt of the supplemental studies, the Commission and AG may take such actions as they may deem appropriate. Further, the Agreed Order shall not constitute a binding precedent for or against any party, during any subsequent review and/or adjustment of the applicant's depreciation rates.

4. From the date of the Agreed Order until further orders of the Commission, Jackson Purchase shall account for salvage value and cost of removal by distribution account. Jackson Purchase shall file not less than annually a report depicting the existing balances in each of the aforesaid accounts.

5. Jackson Purchase is hereby permitted to collect and amortize its Geographic Information System ("GIS") mapping costs over an eight-year period.

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that the terms and conditions agreed upon by the AG and Jackson Purchase are reasonable and should be approved.

IT IS THEREFORE ORDERED that the terms and conditions set forth in the Agreed Order are approved.

Done at Frankfort, Kentucky, this 30th day of December, 2003.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2002-00485 DATED December 30, 2003.

RECEIVED

NOV 21 2003

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

APPLICATION OF JACKSON PURCHASE)
ENERGY CORPORATION FOR AN ORDER) Case No. 2002-00485
APPROVING REVISED DEPRECIATION RATES)

AGREED ORDER

On December 30, 2002, Jackson Purchase Energy Corporation ("JPEC") filed its application for an order approving revised depreciation rates. Comprised in the filing was a depreciation study of distribution assets by JPEC and RUS and a general asset study by JPEC. The attorney general's office of rate intervention (hereinafter "OAG") requested intervener status in the case and was granted full status by the commission.

A telephonic informal conference was held on May 6, 2003, and after that conference, JPEC filed an amended application. The depreciation treatment of distribution assets was not yet agreed upon. The parties met in Frankfort on July 31, 2003, and reached a tentative agreement on the distribution system depreciation rates was made, subject to RUS approval. Thereafter, RUS voiced objections to the modified rates and a further telephonic conference was held on October 7, 2003, with attorneys and/or representatives of JPEC, Office of Attorney General - Rate Intervention, RUS, and PSC staff. Upon the conclusion of the telephone conference JPEC and OAG agreed to submit the following terms and conditions to the PSC as an Agreed Order:

1. Effective January 1, 2003, JPEC shall implement depreciation rates for its distribution system in conformity with the depreciation study prepared by RUS and JPEC, and any amendments thereto, which study was filed as Exhibit II to the Initial Application filed

herein, which study and exhibit was amended and revised by Exhibit VI of the Second Amended Application.

2. Effective January 1, 2003, JPEC shall implement depreciation rates for its general assets in conformity with the depreciation study, and any amendments thereto, prepared by Charles G. Williamson, III, CPA and applicant's Vice President, Finance and Accounting. The aforesaid study was filed herein as Exhibit III to the initial Application which study and exhibit was amended and revised by Exhibit VIII of the Second Amended Application.

3. JPEC agrees that upon the fifth anniversary of the entry of this Agreed Order, or its filing for a General Rate Adjustment, whichever occurs first, it shall submit to the PSC fully updated supplements to each of the depreciation studies referred to herein. Copies of each supplemental study shall also be sent to the Office of the Attorney General, Office for Rate Intervention. Upon the receipt of the supplemental studies the PSC or Office of Rate Intervention may take such actions as they may deem appropriate. Further, this Agreed Order shall not constitute a binding precedent for or against any party, during any subsequent review and/or adjustment of the Applicants depreciation rates.

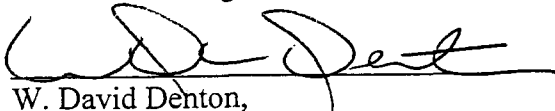
4. From the date of this Agreed Order until further orders of the PSC, JPEC shall account for salvage value and cost of removal by distribution account. JPEC shall file not less than annually a report depicting the existing balances in each of the aforesaid accounts.

5. Jackson Purchase Energy Corporation is hereby permitted to collect and amortize its GIS mapping costs over an eight-year period.

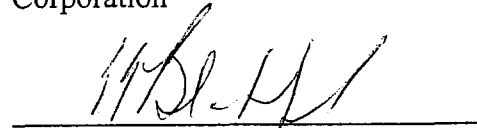
Done at Frankfort, Kentucky, this _____ day of _____, 2003.

By the Commission

Have seen and agreed to:



W. David Denton,
Attorney for Jackson Purchase Energy
Corporation



Elizabeth Blackford,
Assistant Attorney General

SECOND AGREED ORDER APPROVING DEPRECIATION RATES (00046873.WPD;1)